

**STATE OF ALABAMA
DEPARTMENT OF INSURANCE
MONTGOMERY, ALABAMA**

REPORT OF EXAMINATION OF

AGENT ALLIANCE INSURANCE COMPANY

WINSTON SALEM, NORTH CAROLINA

AS OF DECEMBER 31, 2015

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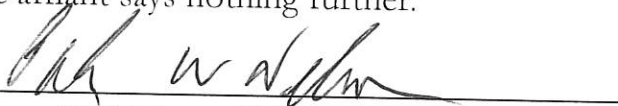
EXAMINER'S AFFIDAVIT

STATE OF NORTH CAROLINA COUNTY OF FORSYTH

Palmer W. Nelson being duly sworn, states as follows:

1. I have authority to represent Alabama in the examination of Agent Alliance Insurance Company.
2. Alabama is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Agent Alliance Insurance Company was performed in a manner consistent with the standards and procedures required by the State of Alabama.

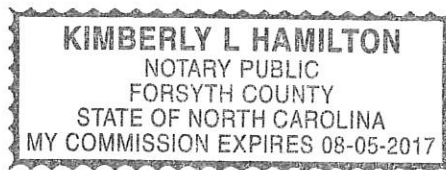
The affiant says nothing further.

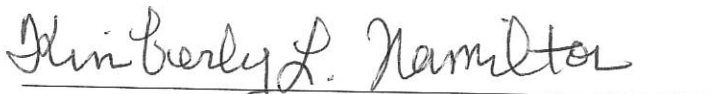


Palmer W. Nelson, CFE
Examiner-in-charge

Subscribed and sworn before me by Palmer W. Nelson on this 30th day of March, 2017.

(SEAL)




(Signature of Notary Public)

My commission expires 08-05-2017.



ROBERT BENTLEY
GOVERNOR

JIM L. RIDLING
COMMISSIONER

STATE OF ALABAMA
DEPARTMENT OF INSURANCE
201 MONROE STREET, SUITE 502
POST OFFICE BOX 303351
MONTGOMERY, ALABAMA 36130-3351
TELEPHONE: (334) 269-3550
FACSIMILE: (334) 241-4192
INTERNET: www.aldoi.gov

DEPUTY COMMISSIONER
CHARLES M. ANGELL

CHIEF OF STAFF
MARK FOWLER

CHIEF EXAMINER
RICHARD L. FORD

STATE FIRE MARSHAL
SCOTT F. PILGREEN

GENERAL COUNSEL
REYN NORMAN

Winston Salem, North Carolina
March 30, 2017

Honorable Jim L. Ridling
Commissioner of Insurance
Alabama Department of Insurance
Post Office Box 303351
Montgomery, Alabama 36130

Dear Commissioner:

Pursuant to your instructions and in compliance with the statutory requirements of the State of Alabama and the resolutions adopted by the National Association of Insurance Commissioners, an examination has been made of the affairs and condition of

Agent Alliance Insurance Company
Winston Salem, North Carolina

as of December 31, 2015, at its home office located at 5630 University Parkway, Winston Salem, North Carolina 27105. The report of examination appears herewith.

Where the term "Company" appears herein without qualification, it will be understood to indicate Agent Alliance Insurance Company.

SCOPE OF EXAMINATION

We have performed an examination of Agent Alliance Insurance Company, a multi-state company. The last examination covered the period of January 1, 2006 through December 31, 2010. The current examination covers the period of January 1, 2011 through December 31, 2015.

The examination was conducted in accordance with applicable statutory requirements of the Code of Alabama, 1975, as amended, the Alabama Insurance Department regulations, bulletins and directives, and in accordance with the procedures and guidelines promulgated by the NAIC, as deemed appropriate, and in accordance with generally accepted examination standards and practices.

The examination was conducted in accordance with the *NAIC Financial Condition Examiners Handbook*. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in the Code of Alabama, 1975, as amended, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

The Company's annual statements for each year under examination were compared with or reconciled to the corresponding general ledger account balances.

An examination of the Company's information technology systems (IT) was conducted concurrently with the financial examination. The IT examination included a review of management and organizational controls, logical and physical security controls, changes in applications controls, system and program development controls, contingency planning controls, service provider controls, operations controls, processing controls, e-commerce controls, and network and internet controls.

A market conduct examination was performed concurrently with the financial examination. The examination included reviews of the Company's territory, plan of operation, claims handling, advertising and marketing, policy forms and underwriting, policyholders' complaints, producers' licensing requirements, and privacy standards.

BDO, USA, LLP was the Company's certified public accountants (CPAs) for the years under examination. The examiners reviewed the CPAs' workpapers, copies of which were incorporated into the examination as deemed appropriate.

A signed letter of representation was obtained at the conclusion of the examination. In this letter, management attested to having valid title to all assets and to the nonexistence of unrecorded liabilities as of December 31, 2015.

ORGANIZATION AND HISTORY

Berkley Insurance Company of the Carolinas, Inc. (Berkley) was organized on December 8, 1995, under the laws of the state of North Carolina for the purpose of providing multiple lines of property and casualty insurance. On July 10, 2006, Emerald Investments, LLC acquired 100% of Berkley's stock and changed the name of the Company to Agent Alliance Insurance Company. On December 31, 2009, the Company re-domesticated and reincorporated under the laws of the state of Alabama. Article Two of the Articles of Re-domestication and Incorporation list the purpose for which the organization was formed as:

To conduct and transact generally the business of an insurance corporation under Title 27, Chapter 5, Code of Alabama 1975, and to do all things and exercise all powers and perform all functions that an insurance corporation is authorized or empowered to do, exercise or to perform under and by

virtue of the laws of Alabama, or that may be by law hereafter authorized to do, exercise or perform; and do all the above things as an Alabama corporation and insofar as is consistent with the laws of Alabama.

Article V of the Articles of Re-domestication and Incorporation authorized 10,000,000 shares of common stock with a par value of \$1 per share.

Integon National Insurance Company, a North Carolina insurer, acquired 100% of the issued and outstanding capital stock of the Company from Emerald Investments, LLC on September 1, 2011. ACP Re, Ltd., a company organized under the laws of Bermuda and under the same common ownership as Integon National, acquired all the issued and outstanding capital stock of the Company effective November 9, 2012. Integon National re-acquired Agent Alliance on July 1, 2014, after purchasing 100% of the issued and outstanding stock from ACP Re, Ltd.

MANAGEMENT AND CONTROL

Stockholders

The common stock of the Company is wholly owned by Integon National Insurance Company. The Company is a part of the AmTrust Financial Services, Inc. holding company group.

Board of Directors

The Company's By-Laws indicate that the business and affairs of the Company may be managed by the Board of Directors. Article IV, Section 2 states: "The number constituting the board of directors shall be not less than one (1) nor more than fifteen (15)." The Company's By-Laws were not in accordance with ALA. CODE Section 27-27-23(a) (1975) which states: "The affairs of every domestic insurer shall be managed by not less than three directors, and at least one-third of the directors shall be bona fide residents of this state."

The following directors were elected by the stockholder and were serving at December 31, 2015.

<u>Director and Place of Residence</u>	<u>Principal Occupation and Employer</u>
Robert Edwin Bruce Daphne, Alabama	Territory Sales Manager, National General Holdings, Corporation
Barry Samuel Karfunkel Lawrence, New York	Chief Marketing Officer, National General Holdings Corporation
Michael Hal Weiner New York, New York	Chief Financial Officer National General Holdings Corporation

Committees

The Company's Board has appointed the following committees of National General Holdings Corporation (NGHC) to act on behalf of the Company: NGHC Finance Committee and NGHC Audit Committee.

The following individuals served on committees as of December 31, 2015:

Finance Committee:
Michael Karfunkel, Chair
Peter Rendall
Michael Weiner

Audit Committee:
Ephraim Brecher, Chair
Barabra Paris, MD
Patrick Fallon

Officers

Officers serving at December 31, 2015, were as follows.

<u>Name</u>	<u>Title</u>
Barry Samuel Karfunkel	President
Jeffery Allan Weissmann	Secretary and General Counsel
Donald Jerome Bolar	Vice President and Chief Accounting Officer

Conflicts of Interest

The Company's Code of Ethics describes what conflicts of interest are and indicates that conflicts of interest are prohibited as a matter of Company policy, except under guidelines approved by the Board of Directors or a Committee of the Board of Directors. The officers and directors are required annually to file conflict of interest questionnaires and disclose any conflicts that may exist. The disclosures were reviewed and there were no conflicts disclosed by any of the officers or directors. All officers and directors completed a conflict of interest questionnaire in each year the Company was under examination with one exception. A person that was an officer and director during 2015 did not file a conflict of interest questionnaire.

Management and Service Agreements

Affiliated

Management Services Agreement with National General Management Corporation

The agreement was amended and restated January 1, 2012, and the Company was included as a part of the agreement along with several other P&C affiliates that are affiliated by common ownership. The agreement has been amended five times by subsequent amendments. National General Management Corporation (Administrator) was identified as the Administrator. Under the terms of the agreement, the Administrator will provide the personnel and perform the functions of the insurance companies that are a party to the agreement including underwriting, claims handling, premiums collection and processing, reinsurance pooling, and preparation of all reports including financial statements and tax filings.

Originally, the compensation for the services provided the Administrator was two percent of each insurance company's gross written premiums. Amendment No. 4 eliminated the two percent fee. Each Company reimburses the Administrator for expenses by paying for all direct expenses attributable to the respective company and all common expenses, including salaries and employee benefits, in accordance with each respective company's proportionate share based on net written premiums for policy related expenses and net paid losses for claims related expenses.

The agreement may be terminated by Integon National Insurance Company, as agent for all participating companies, or by the Administrator by either giving the other ninety days advance written notice. Terms of the agreement indicate that if any insurance company ceases to be a part of the intercompany pooling agreement, the agreement will terminate with regard to the respective company that is no longer a part of the intercompany pooling.

Asset Management Agreement with AII Insurance Management Limited

The Company and a number of its insurance entity affiliates were a party to the agreement in which AII Insurance Management Limited (AIM) was identified as the investment manager in the agreement dated September 1, 2011. Under the terms of the agreement AIM provides investment management services in accordance with each respective company's investment guidelines for each participating company. The investment manager has discretionary trading authority, subject to each respective company's investment guidelines, and maintains and administers the investment accounts on their behalf. Each participating company pays the manager a quarterly fee of .05% of the average investment balance. If the average investment balance is over \$1 Billion, the quarterly fee is .0375% of the average investment balance.

Tax Allocation Agreement with affiliates

The Company entered into a tax allocation agreement with a number of its affiliates on September 1, 2011. Under the terms of the agreement, National General Holdings Corporation was identified as the agent for the other parties for the purpose of filing the consolidated tax return for the parties identified in the consolidated tax filing group, which included the Company. The agreement indicates that each company's liability for all tax payments or entitlements to federal, state or local tax refunds shall be based on the amount of its tax liability or entitlement to a refund calculated on a separate return basis and recorded accordingly in the corresponding period.

CORPORATE RECORDS

The Company's Articles of Incorporation and By-Laws were inspected during the course of the examination and appeared to provide for the operation of the Company in accordance with usual corporate practices and applicable statutes and regulations, with one exception discussed in the "Board of Directors" section of this report.

Minutes of the Stockholder and Board of Directors meetings that took place during the examination period were reviewed. The minutes appeared complete and adequately documented the actions of the respective governing bodies.

HOLDING COMPANY AND AFFILIATE MATTERS

As of December 31, 2015, the Company was subject to the Alabama Insurance Company Regulatory Act of 1973 as defined in ALA CODE §27-29-1 (1975). The review of the holding company filings made during the examination period indicated that appropriate disclosures were made regarding the Company.

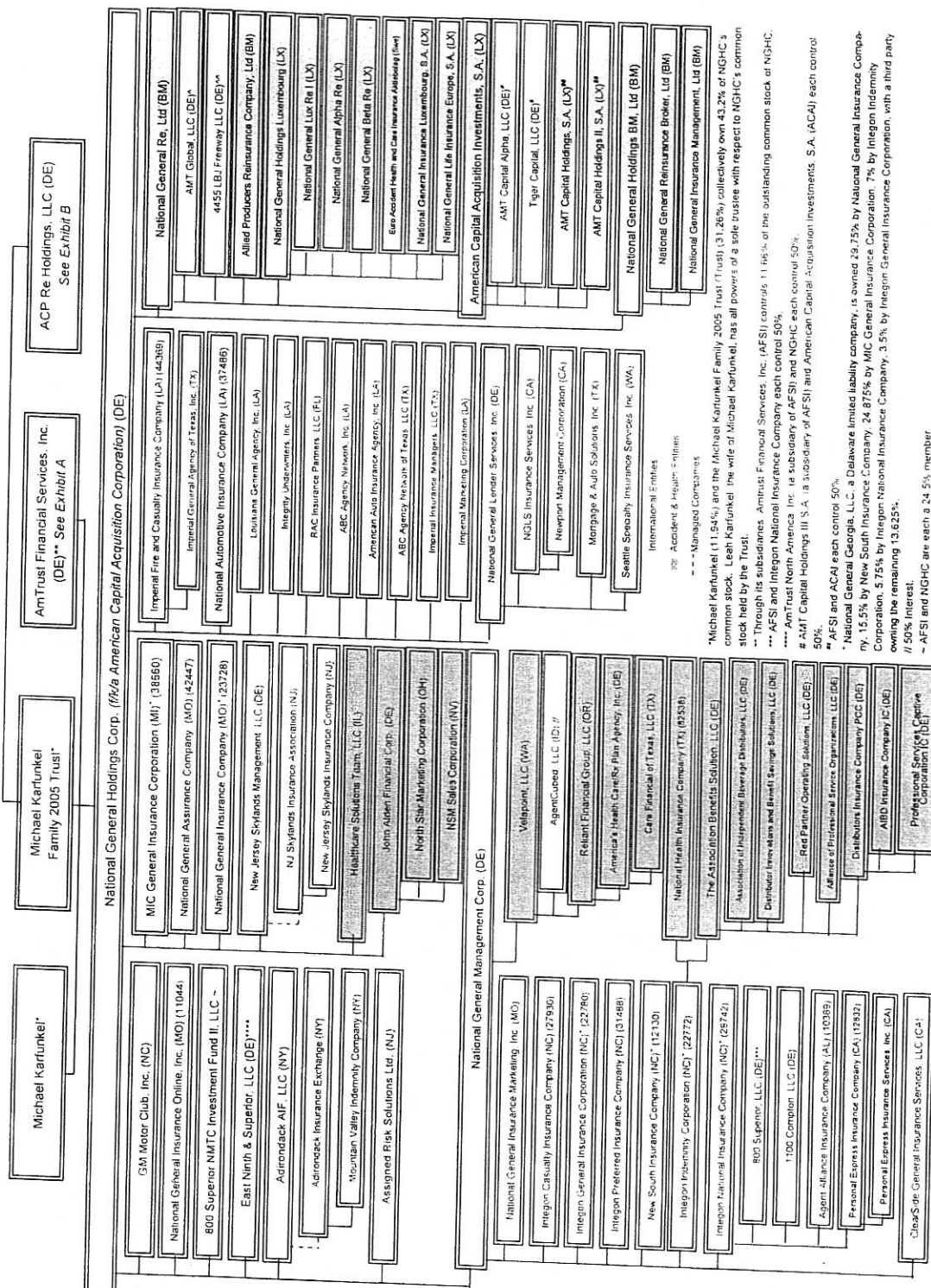
Dividends to Stockholders

The Company did not pay any common stock dividends during the examination period.

Organizational Chart

The following chart presents the identities and interrelationships among all affiliated persons within the Insurance Holding Company System at December 31, 2015.

Legal Entity Structure



^{***}Nat Gen Re and AMT Investments LLC (a subsidiary of AFSI) each own 50%.

Note: All ownership is 100% unless otherwise noted

MAIDEN HOLDINGS, LTD. ^(*) Public Company Code: 0000000000	
AMT [*] Warranty Corp. (DE); and on page 31	4007
AMT Home Protection Company (CA)	4045
Warranty Corporation (NY)	9008
AMT Road Services Corp. (DE)	
Warrantech Automobile, Inc. (CT)	
Venueco, Inc. (CT)	
Toca Warranty Corp. (DE)	
Warrantech Automobile of Canada, Inc. (Canada)	
Warrantech Automobile of Florida, Inc. (FL)	
Westport Reinsurance Limited (Turks & Caicos Islands)	
Warrantech Caribbean LTD (Grand Cayman Islands)	
Warrantech Consumer Product Services, Inc. (CT)	
Warrantech Home Service Company (CT)	
Warrantech Home Assurance Company (FL)	
WHSC Direct, Inc. (TX)	
WDPS of Florida, Inc. (FL)	
Warrantech Direct, Inc. (TX)	
Cred Renaissance, Ltd. (Turks & Caicos Islands)	
Pri Direct Corp. (DE)	
Warrantech Direct L.P. (TX)	
Warrantech International, Inc. (DE)	
Warrantech International de Chine (China)	
Warrantech Peru SRL (Peru)	
Gama-tech Management Company (DE)	
Warrantech Management Holding Company (DE)	
Warrantech Management Limited Partnership (TX)	
AMT/C/S Holdings, Inc. (DE)	4071
AMT Consumer Services, Inc. (DE)	4072
CPD Direct LLC (DE)	4073
CPD Florida LLC (FL)	4076
CPD Travel LLC (DE)	4077
CPD Warrtech LLC (DE)	4075
The CPD Insurance Agency, LLC (DE)	4074
HS Acquisition Holdings, LLC (DE) ^(**)	4029
BPOC, Inc. (FL)	4030
Roa Services - Arizona, Inc. (AZ)	
Roa Services (Bermuda) Ltd. (Bermuda)	4032
Roa Services - Hawaii, Ltd. (HI)	4033
Roa Services - Nevada, Inc. (NV)	
Roa Services - Vermont, Inc. (VT)	
Roa Services Intermediate (Bermuda) Ltd. (Bermuda)	4033
Roa Services, LLC (VA)	4034
MG Marine Plus, LLC (DE)	4032
OTF Executive Boutique Southampton, LLC (US)	4093
4455 EB Frenzy, LLC (DE) ^(*)	4102
BO Superior, LLC (DE)	4030
BO Superior NMTC Investment Fund II LLC (CH)	9217
BO'S Healthy Member, LLC (DE)	4024
BS South Holdings, LLC (DE)	
BEA Holdings, LLC (DE)	4056
"BOE East 4th Purchase LLC N"	
AMT Investments, LLC (DE)	4099
AMT Global, LLC (DE) ^(**)	
Aon Trust Ventures I, LLC (DE)	
Rock Run South, LLC (DE)	4010
Rushin Santa College LLC (DE)	4093

4-digit number in blue indicates company's trading partner number

AMTRUST FINANCIAL SERVICES, INC.
(continued from page 1)
1030

AntTrust International Limited (England) (continued from page 1)	1034
AntTrust Claims Management Ltd. (Italy)	
AntTrust Corporate Capital Limited (England)	
AntTrust Europe Limited (England)	
AntTrust Italia S.R.L. (Italy)	
AntTrust Europe Legal Limited (England)	
Pedigree Livestock Insurance Limited (England)	
AntTrust France SAS (France)	
AntTrust Insurance Spain S.L.U. (Spain)	
AntTrust Japan KK	
AntTrust Lloyd's Holdings Limited (The Cayman Islands)	
AntTrust Cayman Reinsurance Company, Ltd. (The Cayman Islands)	
AntTrust Corporate Services Limited (England)	
AntTrust Corporate Services Two Limited (England)	
RHL Corporate Name No. 1 Limited (England)	
AntTrust Syndicate Holdings Limited (England)	
AntTrust Capital Services, Inc. (California)	
AntTrust at Lloyd's Limited (England)	
AntTrust Syndicate Services Limited (England)	
AntTrust Underwriters Limited (England)	
AntTrust Management Services Limited (England)	4096
AntTrust Mobile Solutions Singapore PTE. LTD. (Singapore)	
AntTrust Mobile Solutions Malaysia Holdings Sdn. Bhd. (Malaysia)	
AntTrust Mobile Solutions Malaysia Sdn. Bhd. (Malaysia)	
Telephone A.V. Son B.V. (Netherlands)	
PT AntTrust Mobile Solutions Indonesia (Indonesia)	
Telephone Asia Private Limited (India)	
Insipire, LLC (Russia)	
AntTrust Group Holdings Limited (Jersey) ²⁰	
Therium Capital Management Limited (England)	
Therium Finance (CC Jersey)	
AntTrust International Insurance, Ltd. (Bermuda) (continued from page 1)	3016
AntTrust Investment Holdings Ltd. (Bermuda)	3016
AntTrust International Bermuda Ltd. (Bermuda)	3016
AMT NY Realty Holdings, LLC (NY)	4161
727 St. Nicholas Holdings, LLC (NY) ²¹	4160
AntTrust Bermuda I Ltd. (Bermuda) ²⁴	
AntTrust Bermuda II Ltd. (Bermuda) ²⁴	
AntTrust Bermuda III Ltd. (Bermuda) ²⁴	
AntTrust Bermuda IV Ltd. (Bermuda) ²⁵	
AntTrust Nuans Holdings Limited (Netherlands)	
AMT Global Realty Holdings, LLC (DE)	
17771 GmbH, LLC (DE)	
AMT NJ Realty, LLC (DE)	
First Nonprofit Companies (IL)	4251
Onyx Insurance Brokerage, Inc. (NY)	4887
AMT Warranty Corp. (DE) (continued from page 1)	4087
The First Service Organization, LLC (DE) ²⁶	4088
F500 LLC (DE)	
OwnerGUARD Corporation (CA)	4086
OwnerGUARD Agency (CA)	4085
OwnerGUARD University (CA)	4084
AMT Warranty Solutions, Inc. (DE)	
Heritage Mechanical Breakdown Corporation (DE)	
Warranty Solutions Administrative Services, Inc. (FL)	
Warranty Solutions Management Corporation (CA)	4095
Warranty Solutions Services Corporation (DE)	4096
WIS Administrative Services Corporation (DE)	
WIS West Jefferson, LLC (DE)	
Westlake Insurance Company (Bermuda), Ltd. (Bermuda)	3011

All ownership is 100% unless otherwise noted.
Shaded box indicates an insurance company.
Superscript numbers in the name indicate company trading partner number.
As of December 31, 2011 (PwC).

Footnotes

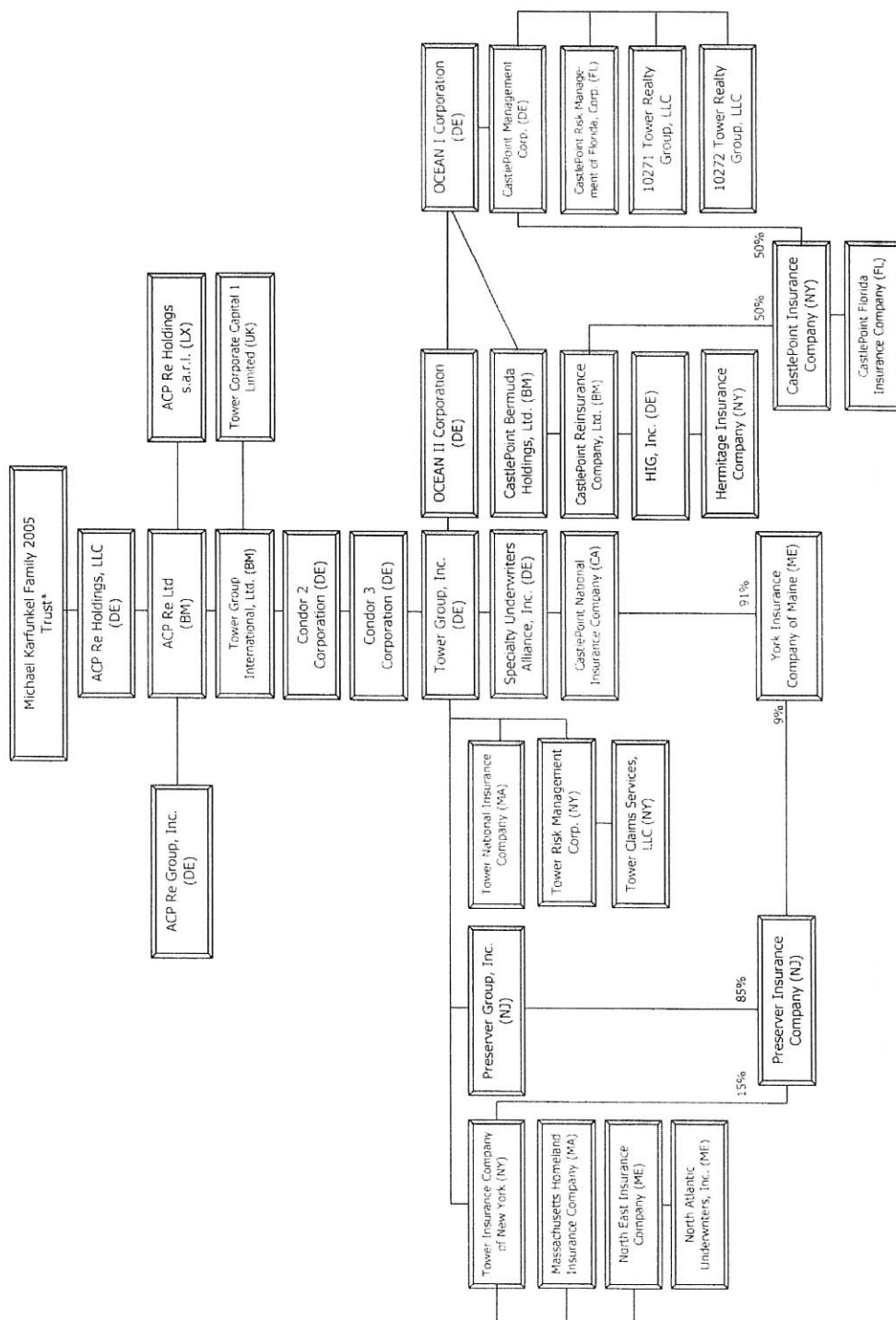
- (1) Shares of AmTrust Financial Services, Inc. ("AmTrust") are controlled, but may be held indirectly, as follows:
- Leah Kurland controls shares held by the Michael Kurland Family 2005 Trust (the "Trust"), for which she is a trustee and holds stated voting and dispositive power with Mr. Zyskind.
 - Mrs. Kurland also controls shares held by ACP Re Ltd., an asset of the Trust. Mrs. Kurland has sole voting and dispositive power over the shares held by ACP Re Ltd.
 - Michael Kurland owns shares directly.
 - George Kurland owns and controls shares directly and indirectly, and controls shares owned by the Charles Foundation of America, and
 - Barry Zyskind owns and controls shares directly and indirectly. Control shares owned by the Taper Foundation, and control shares held by the Trust, for which he is a trustee and holds stated voting and dispositive power with Mrs. Kurland. Barry Zyskind does not have any voting or dispositive power over the shares held by ACP Re Ltd., an asset of the Trust.
- Barry Zyskind, Michael Kurland, George Kurland, and Leah Kurland have publicly filed with the Securities and Exchange Commission a notice on Schedule 13D that they are acting as a group with respect to the common stock of AmTrust that each person controls.
- (2) AmTrust is a publicly-traded company listed on the NASDAQ global exchange under the ticker symbol "AFSI".
- (3) Unless indicated otherwise, AmTrust owns 100% of the common stock of all direct subsidiaries.
- (4) Various subsidiaries of AmTrust collectively own 11.96% of the entity's outstanding common stock.
- (5) Michael Kurland, individually, and Leah Kurland, as co-trustee of the Trust, beneficially owns 11.94% and 31.26% of the outstanding common stock, respectively.
- (6) Mrs. Kurland has sole voting and dispositive power over the shares held by the Trust.
- (7) AmTrust's principal shareholders, Michael Kurland, Leah Kurland, as a trustee of the Trust, George Kurland, and Barry Zyskind own or control approximately 61%, 24%, 23%, and 4.4%, respectively, of the entity's issued and outstanding capital stock. Mrs. Kurland has sole voting and dispositive power over the shares held by the Trust.
- (8) All Insurance Management Limited and All Insurance Broker Ltd. each own 50%.
- (9) AMT Capital Holdings III S.A. and American Capital Acquisition Investments S.A. each own 50%.
- (10) AMT Capital Holdings III S.A. and American Capital Acquisition Investments S.A. each own 50% Class A interests.
- (11) Wesco Insurance Company owns 94.9%, and Primero Promotora de Ventas, S.A. de C.V. owns the remaining 5.1%.
- (12) AmTrust and American Capital Acquisition Investments S.A. each own 50%.
- (13) AmTrust North America, Inc. and National General Holdings Corp. each own 50%.
- (14) AmTrust owns 60% (Class A Voting Interest) and Michael Rogers owns 20% (Class B Non-Voting Interest).
- (15) AmTrust owns 50%, and National General Re Ltd. owns the remaining 50%.
- (16) AmTrust and National General Insurance Company each own 50%.
- (17) AmTrust and National General Holdings Corp. are each a 24.5% member.
- (18) AMT Investments, LLC owns 50%, and National General Re Ltd. owns the remaining 50%.
- (19) AmTrust owns 50%, and the David Friedberg Revocable Trust, David Friedberg, Trustee owns the remaining 10%.
- (20) AmTrust International Limited owns 55%, and InvestAsia Pte. Ltd., a Singapore company, owns 45%.
- (21) C.A. Care Plan Limited owns 99.999% and AmTrust International Limited owns 0.0001%.
- (22) AmTrust International Limited owns 22.95%, and certain other entities own the remaining 77.05%.
- (23) AmTrust International Limited owns 50% Ordinary Shares and 100% Preferred, Series B shares, and AmTrust Europe Limited owns 50% Ordinary Shares and 100% Preferred, Series A Shares.
- (24) AmTrust International Limited owns 50.79%, and certain controlling shareholders own a total of 11.49%.
- (25) AmTrust International Limited owns 50%, and certain other entities own the remaining 50%. The company owns additional entities that are not reflected on this organizational chart.
- (26) AMT by Realty Holdings, LLC 90%, and Sharebox GmbH, LLC owns the remaining 10%.
- (27) AMT by Realty Holdings, LLC 90%, and Sharebox GmbH, LLC owns the remaining 10%.
- (28) AmTrust International Insurance, Ltd. owns 50% and AmTrust North America, Inc. owns the remaining 50%.
- (29) AmTrust International Insurance, Ltd. owns 60% and AmTrust International Bermuda owns the remaining 40%.
- (30) AMT Guaranty Corp. owns 65%, and Shannon LLC owns the remaining 35%.

COSECANT FINANCIALS Re Insurance Agency, Inc. (CRF) Structured Risk Management Solutions, LLC (CRS)

All amounts in U.S. dollars, unless otherwise noted.
Dividends are indicated as income company.
Adjusted figures are based on historical information and may not reflect current information.

As of December 31, 2015 (in U.S.)

ACP Re Holdings, LLC Legal Entity Structure



* The Michael Karfunkel Family 2005 Trust (Trust) owns 99.9% of the outstanding common stock of ACP Re Holdings, LLC. Lean Karfunkel, the wife of Michael Karfunkel, owns the remaining 0.1%.

PENSIONS AND STOCK OWNERSHIP

At December 31, 2015, the Company did not have any employees. The operational functions of the Company were performed by National General Management Corporation (NGMC) under the terms of the management and services agreement between the NGMC and the Company and a number of its property and casualty insurance affiliates. NGMC provided the personnel and performed the functions of the insurance entities. NGMC was reimbursed for all expenses including salaries and employee benefits.

The Company has no retirement plan, deferred compensation plan, post-employment benefits and compensated absences or other post-retirement benefit plans. All employee benefits are provided by the Administrator of the Management and Services Agreement, NGMC. The Company reimburses the Administrator for its portion of the employee benefits as the expenses are incurred. The Company has no required provisions for benefits.

Section 1033 Title 18 Compliance

The Company was asked to provide evidence to indicate how it was determined that those working on its behalf were not in conflict with §1033 of Title 18 of the U.S. CODE, and ALA. ADMIN CODE 482-1-146-.11 (2009), which prohibits certain persons from participating in the business of insurance. Company management indicated that the Company's staff were required to certify that they did not have any felony convictions annually and that criminal background checks were performed on applicants to become employees before they were hired to prevent hiring prohibited employees. The documents provided and reviewed indicated that the Company has been conducting the described practice and is in compliance with the referenced law and regulation.

STATUTORY DEPOSITS

At December 31, 2015, as required or permitted by law, the Company maintained deposits with the respective statutory authorities as follows.

<u>State</u>	<u>Book/Adjusted Carrying Value</u>	<u>Fair Value</u>
North Carolina	\$2,094,961	\$2,141,604
South Carolina	\$182,039	\$189,776

FINANCIAL CONDITION/GROWTH OF THE COMPANY

	2015	2014	2013	2012	2011
Admitted Assets	\$50,062,698	\$18,025,980	\$18,334,622	\$22,356,913	\$9,804,808
Liabilities	1,251,730	1,562,451	1,801,303	7,149,153	6,881,218
Common Capital Stock	9,800,000	9,800,000	9,800,000	1,800,000	1,800,000
Paid in and Contributed Surplus	38,557,289	6,557,289	6,557,289	14,057,509	1,800,000
Surplus Notes	350,000	350,000	350,000	350,000	350,000
Unassigned Funds	103,677	(243,760)	(173,970)	(999,749)	(1,026,410)
Gross Written Premium	4,570,278	6,119,694	8,530,194	13,456,719	19,331,063
Net Losses Incurred	0	0	0	0	4,630,480
Net Loss Adjustment Expenses Incurred	0	0	0	0	389,322

MARKET CONDUCT ACTIVITIES

Plan of Operation

During 2015, the Company wrote nonstandard automobile insurance in the state of North Carolina. During 2015, the Company was renewing business, but not writing any new business. The Company has received approval to write surplus lines business in forty-six states. The Company began writing property and liability coverage in the third quarter of 2016. This new business was business placed with the Company by lien holders for borrowers that have not provided the lien holders proper evidence of insurance. The program also involves selling insurance for properties obtained by the lien holders by foreclosures.

Territory

The Company was properly licensed and held certificates of authority in Alabama and North Carolina. The Company has received approval to write surplus lines business in forty-six other states.

Policy Forms and Underwriting

It was not necessary to perform a review of filed and approved Alabama policy forms and determine whether the Company has been properly charging its Alabama policyholders the correct rates in accordance with those approved by the Department because the Company did not have any 2015 Alabama written premiums.

Advertising and Marketing

The Company is licensed in Alabama and North Carolina and the Company will be predominately used as the group's surplus lines facility in several states going forward.

On an admitted basis, the Company writes private passenger automobile insurance in North Carolina. The admitted business is produced by North Carolina independent agents and through the Company's affiliated agency.

On a surplus lines basis, the Company began writing dwelling property coverage for private residences and commercial properties under a lender placed insurance program in the third quarter of 2016. This program also includes property coverage on real estate owned by mortgage lenders as a result of foreclosures. The surplus lines business is written and managed by National General Lender Services, Inc. The insurance is sold to financial institution clients through affiliated and non-affiliated surplus lines brokers representing mortgage servicers and other financial institutions.

Claims Handling

The Company did not have any loss or loss adjustment expense payments for any claims of Alabama policyholders in 2015. The Company did not have any outstanding policies to any Alabama policyholders in 2015. A review of paid claims and denied and resisted claims was not necessary because the Company did not have any Alabama business in 2015.

Policyholder Complaints

The Company's complaints handling procedures were reviewed and evaluated to be appropriate for handling and recording complaints. The Company did not have any complaints received during the examination period.

Producers' Licensing Requirements

The Company did not receive any premiums from Alabama policyholders and did not have any policies outstanding to Alabama policyholders during 2015. It was not necessary to perform a review to determine if Alabama producers that produced business were properly licensed and appointed.

Privacy Standards

The Company sends its policyholders a privacy notice annually. The Company's privacy notices that were sent to policyholders described the type of non-public private information that may be collected, how the private information is protected, how the private information may be shared with others, and who the private information may be shared with. The disclosure explained the policyholder's rights and included a provision for policyholders to opt out of sharing of private information by signing, dating, and returning the opt out notice that was included with the privacy disclosure.

REINSURANCE

The Company's reinsurance agreements were examined and found to include the proper safeguards and the required clauses such as an insolvency clause, an entirety clause, an errors and omissions clause, and termination clause, as well as defined the particular terms of premiums, loss, and commission payments and the rights and responsibilities of both parties.

Reinsurance Assumed

The Company does not participate in any voluntary assumed reinsurance.

The Company did not have any 2015 assumed premiums. The Company did report in its 2015 Annual Statement approximately \$417,000 in reserves for losses and loss adjustment expenses in connection with business assumed in previous years. The reserves were associated with mandatory pooling. The assumed reserves have been retroceded and the reserves net of assumed and ceded reinsurance for the NCCI National Mandatory Pool were zero.

Reinsurance Ceded

Reinsurance Pooling Agreement with Integon National Insurance Company

The Company and a number of its property and casualty insurance affiliates were a part of the amended and restated reinsurance pooling agreement. The effective date of the agreement was January 1, 2012. The agreement has been amended since the effective date to add other affiliates to the agreement. Under the terms of the agreement, the Company and its affiliated ceding companies cede and transfer 100% of all of the ceding companies' respective

books of business in force as of and subsequent to the effective date to Integon National Insurance Company, an affiliate by common ownership.

Mandatory Pooling

The Company participated in the North Carolina Reinsurance Facility mandatory pooling. In connection with this mandatory pooling, the Company ceded approximately \$2.5 million of 2015 written premiums and ceded approximately \$3.9 million of reserves for unearned premiums, losses, and loss adjustment expenses at December 31, 2015.

ACCOUNTS AND RECORDS

The Company's principal accounting records were maintained in electronic format.

The Company was audited by BDO, USA, LLP for the examination period. The Company is permitted to be audited annually on a consolidated basis with a number of its property and casualty insurance affiliates.

Ronald T. Kuehn, FCAS, MAAA, CERA, CPCU, ARM, FCA of Huggins Actuarial Services, Inc., Media, Pennsylvania, prepared the Actuarial Reports and Statements of Opinion for the examination period.

The Company has obtained a permitted practice letter from the Alabama Department of Insurance that allows the Company to keep its records in Winston Salem, North Carolina.

FINANCIAL STATEMENTS

The financial statements included in this report were based on the statutory financial statements filed by the Company with the Alabama Department of Insurance and present the financial condition of the Company for the period ending December 31, 2015. The accompanying comments on the financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

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AGENT ALLIANCE INSURANCE COMPANY
STATEMENT OF ASSETS, LIABILITIES AND CAPITAL AND SURPLUS
For the Year Ended December 31, 2015

	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
ASSETS			
Bonds	\$ 47,514,250		\$ 47,514,250
Cash (\$426,753 Sch. E-Part 1), cash equivalents (\$0 Sch. E – Part 2) & short-term investments (\$0 Sch. DA) (NOTE 1)	<u>426,753</u>		<u>426,753</u>
Subtotals, cash and invested assets	\$ 47,941,003		\$ 47,941,300
Investment income due and accrued	399,657		399,657
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	162,295	4,794	157,501
Deferred premiums, agents' balances & installments booked but deferred & not yet due	470,562		470,562
Amounts recoverable from reinsurer	1,001,766		1,001,766
Net deferred tax asset	<u>92,209</u>		<u>92,209</u>
TOTAL ASSETS	<u>\$ 50,067,492</u>	<u>\$ 4,794</u>	<u>\$ 50,062,698</u>
LIABILITIES			
Other expenses (excluding taxes, license and fees)			\$ 181,359
Taxes, license and fees (excluding federal and foreign income taxes)			88,025
Ceded reinsurance premiums payable (net of ceding commissions)			860,724
Payable to parent, subsidiaries and affiliates			<u>121,622</u>
Total Liabilities			<u>\$ 1,251,730</u>
CAPITAL AND SURPLUS			
Common capital stock			\$ 9,800,000
Surplus Notes			350,000
Gross paid in and contributed surplus			38,557,289
Unassigned funds (surplus)			<u>103,677</u>
Surplus as regards policyholders			<u>\$ 48,810,966</u>
LIABILITIES, CAPITAL AND SURPLUS			<u>\$ 50,062,696</u>

THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS
IN THIS REPORT ARE AN INTEGRAL PART THEREOF.

AGENT ALLIANCE INSURANCE COMPANY
STATEMENT OF REVENUE AND EXPENSES

For the Years Ended December 31, 2015, 2014, 2013, 2012, and 2011

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
UNDERWRITING INCOME					
Premiums earned					\$5,437,952
DEDUCTIONS					
Losses incurred					4,630,480
Loss adjustment expenses incurred					389,322
Other underwriting expense incurred (Part 3, Line 25, Column 2)	\$ 203		(110)	(110)	1,657,076
Total underwriting deductions	<u>\$ 203</u>		<u>(110)</u>	<u>(110)</u>	<u>6,676,878</u>
Net underwriting gain (loss)	\$ (203)	\$ 0	\$ 110	\$ 110	\$(1,328,926)
INVESTMENT INCOME					
Net investment income earned (Exhibit of Net Investment Income, Line 17)	\$ 483,038	\$ 334,514	\$ 275,028	\$ 150,740	\$ 184
Net realized capital gains (losses) less capital gains tax	<u>(502)</u>	<u>27,894</u>	<u>18,559</u>	<u>411,391</u>	
Net investment gain (loss)	\$ 482,536	\$ 362,408	\$ 293,587	\$ 562,131	\$ 184
OTHER INCOME					
Finance and service charges not included in premiums					262,157
Aggregate write-ins for miscellaneous income					<u>70,013</u>
Total other income	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>332,170</u>
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	<u>482,333</u>	<u>362,408</u>	<u>293,697</u>	<u>562,241</u>	(996,572)
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	<u>482,333</u>	<u>362,408</u>	<u>293,697</u>	<u>562,241</u>	(996,572)
Federal and foreign income taxes incurred	<u>95,785</u>	<u>508,987</u>	<u>(12,164)</u>	<u>160,034</u>	(770,833)
Net Income	<u>\$ 386,548</u>	<u>\$ (146,579)</u>	<u>\$ 305,861</u>	<u>\$ 402,207</u>	<u>\$ (225,739)</u>

**THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS
IN THIS REPORT ARE AN INTEGRAL PART THEREOF.**

AGENT ALLIANCE INSURANCE COMPANY
STATEMENT OF CHANGES IN CAPITAL AND SURPLUS
For the Years Ended December 31, 2015, 2014, 2013, 2012, and 2011

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Capital and surplus, December 31, prior year	<u>\$16,463,529</u>	<u>\$16,533,319</u>	<u>\$15,207,760</u>	<u>\$2,923,590</u>	<u>\$2,747,328</u>
Net income	386,548	(146,579)	305,861	402,207	(225,739)
Change in net unrealized capital gains or (losses) less capital gains tax of \$...	(48,276)	10,044	(27,954)		
Change in net deferred income tax	9,755	69,270	(103,923)	(942)	(422,033)
Change in nonadmitted assets	(590)	(2,432)	651,795	(183,875)	824,034
Capital changes:					
Paid in	32,000,000		8,000,000	12,257,509	
Surplus adjustments:					
Paid in			(7,500,220)		
Aggregate write-ins for gains and losses in surplus		(93)		(190,729)	
Net change in capital and surplus for the year	<u>\$32,347,437</u>	<u>\$(69,790)</u>	<u>\$1,325,559</u>	<u>\$12,284,170</u>	<u>\$176,262</u>
Capital and surplus, December 31, current year	<u>\$48,810,966</u>	<u>\$16,463,529</u>	<u>\$16,533,319</u>	<u>\$15,207,760</u>	<u>\$2,923,590</u>

THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS
IN THIS REPORT ARE AN INTEGRAL PART THEREOF.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Cash and short term investments

\$426,753

The Cash and short term investments was overstated in the financial statements by \$181,410. The Company's Cash and short term investments that should have been reported was \$245,343. No adjustment was made for this examination finding because the error was not material.

Analysis of Changes to Surplus			
Capital and Surplus at Dec. 31, 2015 per Annual Financial Statement			\$48,810,966
	<u>Increase</u>	<u>Decrease</u>	
Net increase (or decrease)	\$0	\$0	\$ 0
Capital and Surplus at Dec. 31, 2015 after adjustment			<u>\$48,810,966</u>

SUMMARY OF SIGNIFICANT FINDINGS

Board of Directors – Page 4

It is recommended that the Company amend its By-Laws to require at least three directors to comply with ALA. CODE Section 27-27-23(a) (1975) which states: "The affairs of every domestic insurer shall be managed by not less than three directors, and at least one-third of the directors shall be bona fide residents of this state."

Conflicts of Interest – Page 6

It is recommended that the Company require all of its officers and directors to annually file a conflict of interest questionnaire in accordance with the Company's established Code of Ethics and as needed to complete the Annual Statement General Interrogatories.

Notes to Financial Statements – Page 23

It is recommended that the Company accurately report its Cash and short term investments in the Annual Statement.

CONTINGENT LIABILITIES AND PENDING LITIGATION

The review of contingent liabilities and pending litigation included an inspection of representations made by management, a review of the CPA workpapers on pending litigation, performance of a search for unrecorded items, and a general review of the Company's records and files conducted during the examination, including a review of claims. These reviews did not disclose any items that would have a material effect on the Company's financial condition in the event of an adverse outcome.

Management was not aware of any material contingent liabilities at the examination date and had committed no reserves to cover such liabilities.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

The Company complied with all of the previous examination report recommendations that remain relevant with the following exception.

The previous examination report recommended that the Company amend its By-Laws to require at least three directors in accordance with the minimum number of directors necessary to comply with ALA. CODE Section 27-27-23(a) (1975) which states: "The affairs of every domestic insurer shall be managed by not less than three directors, and at least one-third of the directors shall be bona fide residents of this state." The Company's By-Laws continue to require a minimum of one director. The Company has not complied with the previous recommendation.

SUBSEQUENT EVENTS

Events subsequent to the report date of December 31, 2015 were reviewed for inclusion in the Report of Examination.

The Company began writing lien holder placed property insurance on a surplus lines basis in the third quarter of 2016.

The Company added an additional officer in 2016. Brad Michael Schock was appointed Vice President, Tax.

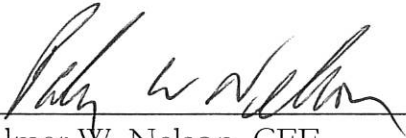
CONCLUSION

Acknowledgement is hereby made of the courtesy and cooperation extended by persons representing Agent Alliance Insurance Company during this examination.

The customary insurance examination procedures, as recommended by the National Association of Insurance Commissioners, have been followed in connection with the verification and valuation of assets and the determination of liabilities set forth in this report.

In addition to the undersigned, Charles Turner, CISA, examiner; all representing the Alabama Department of Insurance, participated in this examination of Agent Alliance Insurance Company.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Palmer W. Nelson", is written over a horizontal line.

Palmer W. Nelson, CFE
Examiner-in-charge
Alabama Department of Insurance